
Local Government & Housing Committee

HB 1495

Brief Description: Providing real estate excise tax exemptions to stabilize neighborhoods.

Sponsors: Representatives Pettigrew, Nelson, Kenney, White and Ormsby.

Brief Summary of Bill

- Exempts qualifying sellers, nonprofit housing organizations, and low-income purchasers from paying real estate excise taxes with respect to the purchase of foreclosed/unoccupied housing.
- Limits the total amount of exempted taxes to \$1 million per year statewide and ends the exemption for the duration of that year once the \$1 million threshold is reached.

Hearing Date: 2/2/09

Staff: Thamas Osborn (786-7129)

Background:

The real estate excise tax (REET) is imposed on each sale of real property, which includes both the transfer of ownership and the transfer of controlling interests. Real property includes any interest in land or anything affixed to land. The state tax rate is 1.28 percent. County legislative authorities may also impose an excise tax on each sale of real property in unincorporated areas of the county. Similarly, city legislative authorities may impose an excise tax on each sale of real property within the city's corporate limits. The combined rate of such county and city taxes may not exceed 0.25 percent of the selling price. The combined state and local REET rate in most areas is 1.78 percent or less.

Summary of Bill:

The Department of Revenue (DOR) is required to oversee a program for exempting specified real estate transactions from the REET. The stated purpose of the program is to encourage the

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sale of affordable housing to low-income families and provide incentives to housing developers to stimulate the sale of homes that are vacant as the result of foreclosures.

The sale of *qualifying* residential housing unit by a *qualifying* seller to a *qualifying* buyer is exempt from the imposition of the REET. A *qualifying organization* exercising an option to repurchase a property or which sells a residence to a qualifying buyer is also entitled to the REET exemption. Key terms are defined as follows:

- "qualifying buyer" means an individual and his or her spouse/domestic partner who has not owned a home during the preceding three-year period, whose household disposable income is at or below 80 percent of the median income in the area, and who meets other requirements, including the completion of an approved financial education program;
- "qualifying seller" means a person who is primarily engaged in the business of building or rehabilitating residential housing units and meets other requirements; and
- "qualifying residential housing unit" means a new or rescued housing unit, or a residential housing unit that has been foreclosed and is unoccupied due to the foreclosure.
- "qualifying organization" means a nonprofit organization that is primarily engaged in the business of building or rehabilitating residential housing units.

This statewide dollar amount of this REET exemption is limited to \$1 million in a given fiscal year. Once the amount of exempted REET taxes reaches this \$1 million threshold, the Department of Revenue (DOR) must end the exemption program for the duration of that fiscal year. The REET exemption program ends as of December 31, 2013. The exemption may not be claimed for sales occurring after that date.

The act expires as of July 1, 2013.

Appropriation: None.

Fiscal Note: Requested on January 29, 2009.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.